



WELCOME

Schwarzenegger Administration
Conference Call on
High Gas Prices and
Biofuels Executive Order



Agenda

- Introductory remarks
 - Bill Maile, Office of the Governor, deputy press secretary
- Presentation on gasoline price investigation and biofuels Executive Order S-06-06
 - Joseph Desmond, Chairman, California Energy Commission
- Questions and Answers



Gasoline Price Investigation Direction

- Letter from Governor Schwarzenegger called for the Energy Commission to:
 - investigate the prices of gasoline, with particular emphasis on retail gasoline prices and any significant changes in prices
 - investigate these issues as they relate to the wholesale market
 - Report any instances of market manipulation, price gouging or unfair business practices
 - Coordinate with the California Attorney General's Office



Gasoline Price Investigation Energy Commission Actions

- Immediate actions
 - Response sent to the Governor 4/25/06 outlining action
 - Updated *California Consumer Fuels Watch* web page (www.energy.ca.gov/consumerfuels), which includes
 - gasoline-saving tips,
 - information on fuel prices,
 - a link to the Attorney General's gasoline-price complaint form, and other useful information.



Gasoline Price Investigation

Energy Commission Actions

- Immediate actions (continued)
 - Publish *Petroleum Watch* weekly starting May 8, 2006.
 - *Petroleum Watch* provides regular updates on wholesale and retail gasoline and diesel prices, refinery production and inventories, and crude oil prices and inventories.
 - Begin investigation of retail and wholesale gasoline and diesel prices



Gasoline Price Investigation

Energy Commission Actions

- **By June 15**, provide the Governor an initial report on gasoline and diesel retail prices, including:
 - highlighting any significant changes in the wholesale or retail prices charged by the petroleum industry for gasoline and diesel
 - a thorough review of our current data collection practices and authority,
 - recommendations for any changes to our data collection authority that may be needed to better assess these issues



Gasoline Price Investigation Energy Commission Actions

- **By September 30**, provide the Governor a complete update of the 2005 Gasoline Price Movements in California, including the results based on available information on the profits of the industry as a whole and of major firms within it
- Implementation of recommendations in the *2005 Integrated Energy Policy Report* and *2005 Gasoline Price Movements in California* report



Estimated Gasoline Price Breakdowns and Margins

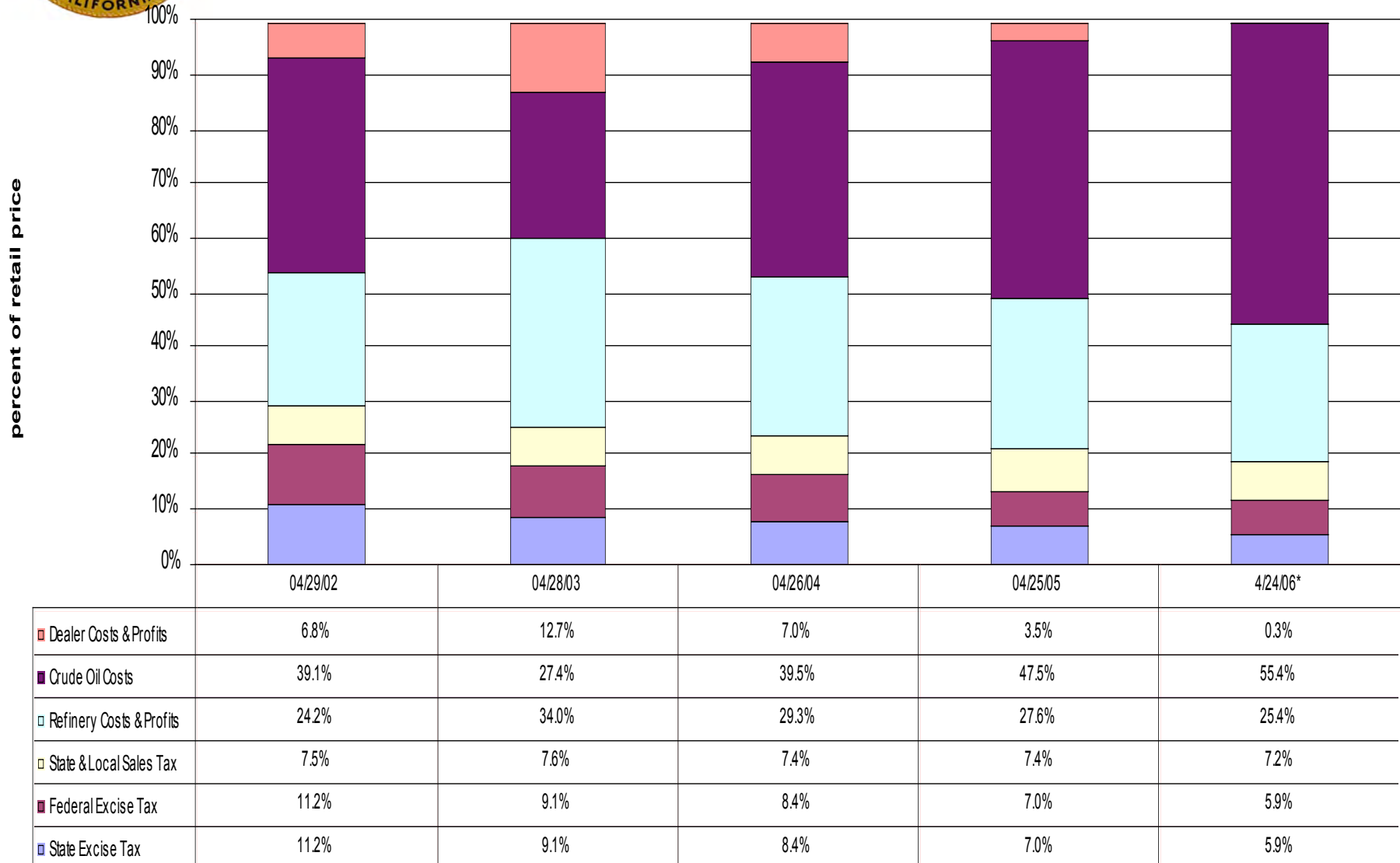


* Preliminary



Gasoline Price Breakdowns and Margins

Branded Gasoline





Gasoline Price Components

- California uses Alaska North Slope spot prices as a benchmark for crude oil price
- Energy commission calculates aggregated apparent refiner margins



Gasoline Price Components

- Apparent refiner cost and profit margins include but are not limited to:
 - refiner profit and
 - costs of :
 - refining and terminal operation
 - crude oil processing
 - oxygenate additives
 - product shipment and storage
 - oil spill fees
 - depreciation
 - purchases of gasoline to cover refinery shortages
 - brand advertising



Gasoline Price Components

- Energy commission calculates aggregated apparent dealer margins.
- Taxes
 - Excise tax: 18.4 to 15.4 for 5.7% ethanol
 - Sales tax: 7.25% state tax, 0 to 1.5% local tax



Gasoline Price Components

- Apparent dealers cost and profit margins include but are not limited to:
 - dealer profit and
 - costs of:
 - utilities, supplies, equipment maintenance, rents, wages
 - environmental fees, licenses, permitting fees, credit card fees, insurance, franchise fees
 - depreciation
 - advertising



Gasoline Price Components

- Data sources: Wall Street Journal for ANS, Oil Price Information Service for wholesale gasoline prices and the Energy Information Service for retail gasoline prices.
- Details can be found at <http://www.energy.ca.gov/gasoline/margins/index.html>



Biofuels Background

- 8/23/05: Governor directs Energy Commission to lead effort in preparing a Bioenergy Plan by March 31, 2006
- 9/29/05: Governor signs AB 1007 (Pavley) requiring development of a state plan to increase the use of alternative fuels
- 3/9/06: Workshop on draft bioenergy report



Bioenergy Executive Order

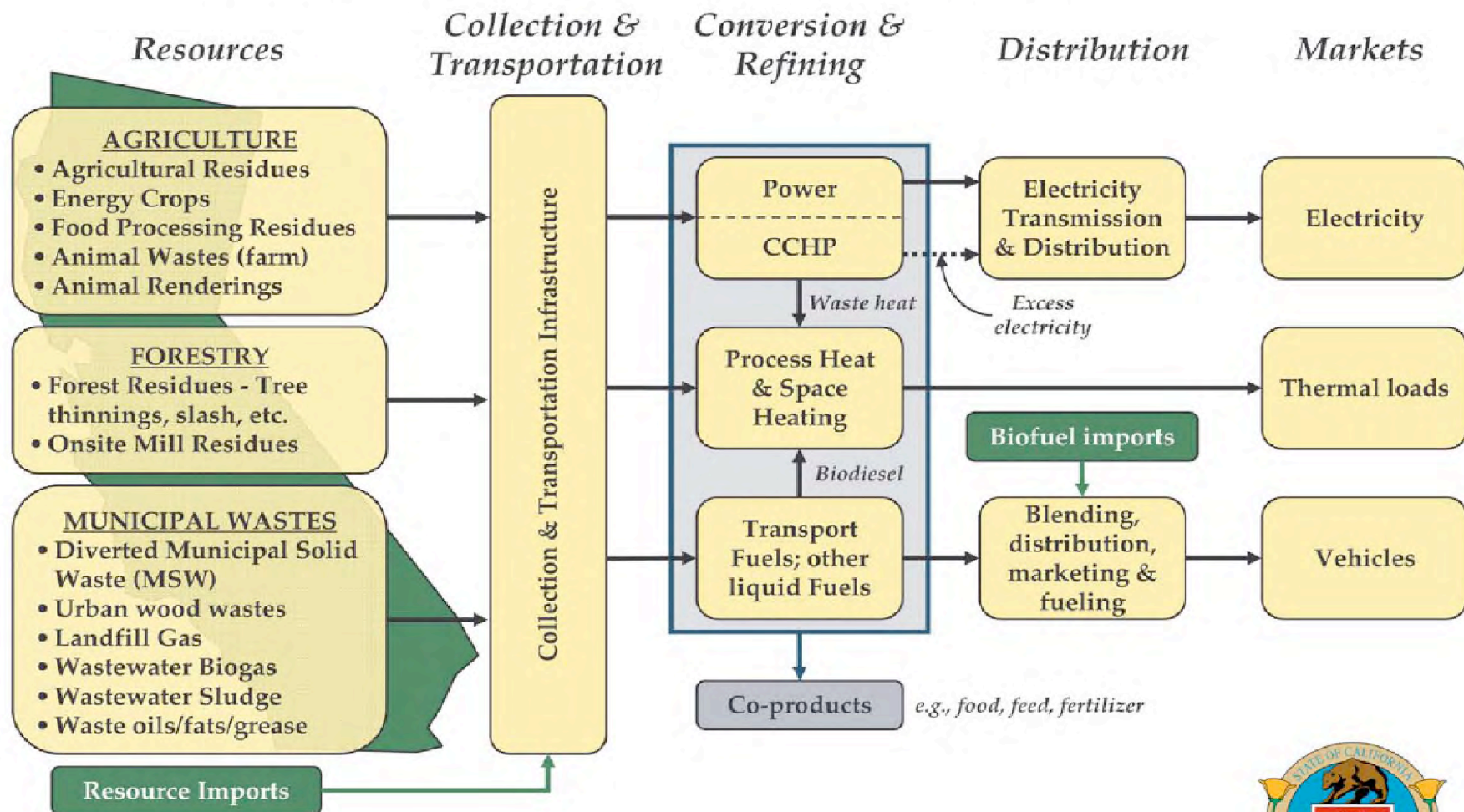


Bioenergy Background

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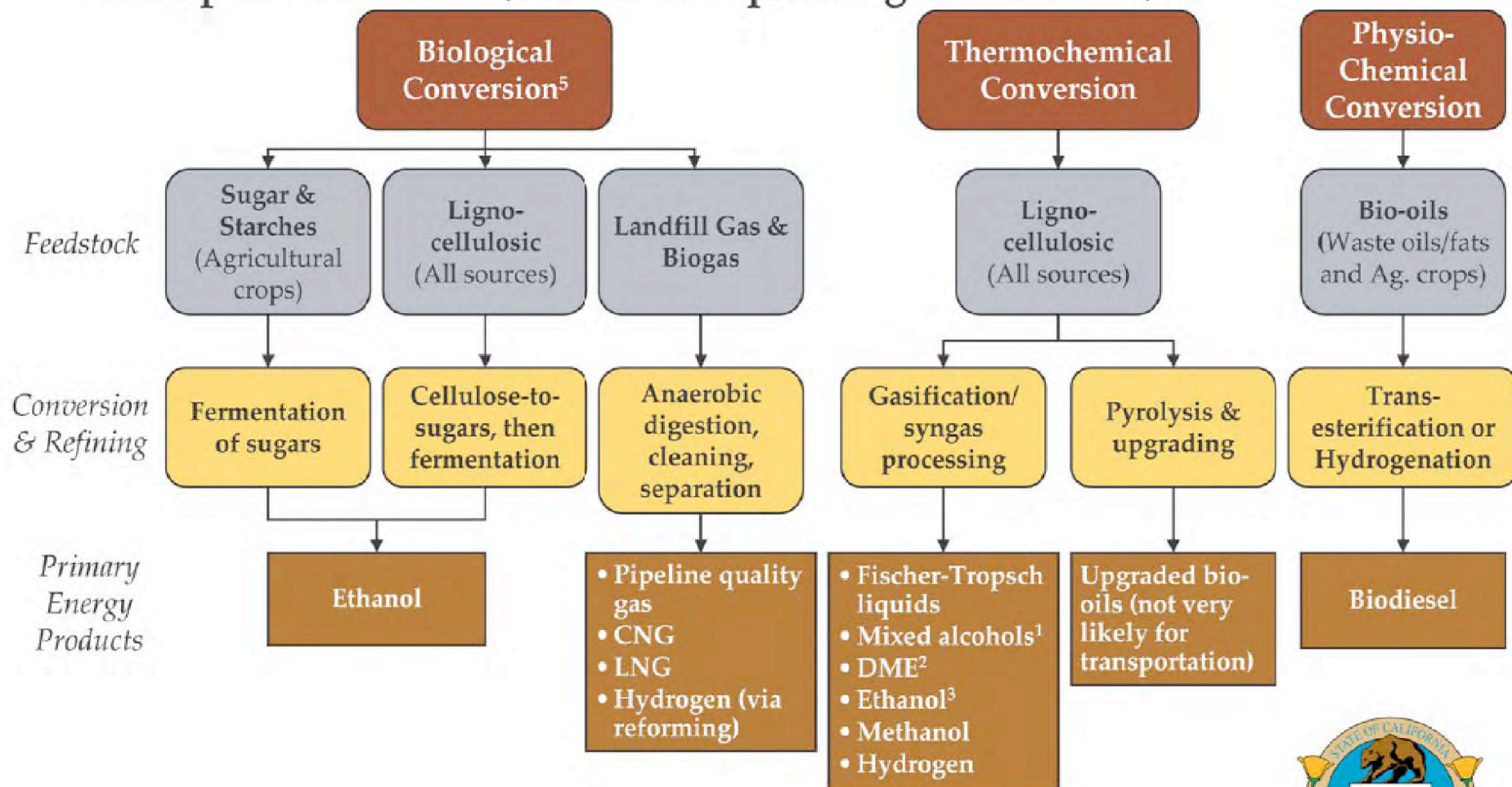
- 3/31/06: *Recommendations for a Bioenergy Action Plan for California* consultant report delivered to Governor
- 4/25/06: Governor Schwarzenegger issues Executive Order S-06-06
- December 2006: Energy Commission target for adoption of AB 1007 report

The focus of this analysis was on power and fuels.



Biofuels » Options for Conversion and Refining

Using the four major feedstocks there are multiple pathways to create transportation fuels (and other liquid & gaseous fuels).





Executive Order S-06-06

- Established targets to increase in-state production and use of bioenergy, including ethanol and bio-diesel fuels made from renewable resources:
 - **For biofuels**, the state shall produce a minimum of 20 percent of its biofuels within California by 2010, 40 percent by 2020, and 75 percent by 2050
 - **For biomass for electricity**, the state meet a 20 percent target within the established state goals for renewable generation for 2010 and 2020



Executive Order S-06-06

(continued)

- Directed the Resources Agency and the Energy Commission to coordinate work among state agencies to promote the use of biomass resources, including:
 - continue the work of the Bioenergy Interagency Working Group, chaired by the Energy Commission
 - identify and secure federal and state funding for research, development and demonstration projects to advance the use of biomass resources for electricity generation and biofuels for transportation



Executive Order S-06-06

(continued)

- Directed the Energy Commission to report through its biennial *Integrated Energy Policy Report* on progress made in achieving sustainable biomass development in California



Executive Order S-06-06

(continued)

- Urged the Air Resources Board to consider as part of its rulemaking on the predictive model the most flexible possible use of biofuels, while preserving the full environmental benefits of California's Reformulated Gasoline Programs



Executive Order S-06-06

(continued)

- Requested the Public Utilities Commission to initiate a new proceeding or build upon an existing proceeding to encourage sustainable use of biomass and other renewable resources by the state's investor-owned utilities



Executive Order S-06-06

Next steps

- Develop a detailed action plan that includes specific actions and timelines for individual and joint agency actions to implement the executive order
- The action plan will be released in early May
- Efforts will feed into the AB 1007 Report in December 2006



Questions and Answers

- **Background information on the Executive Order and the Governor's direction to the Energy Commission to investigate gasoline prices can be found on the Energy Commission website at:**
http://www.energy.ca.gov/releases/2006_releases/2006-04-25_desmond_briefing.html
- **Thank you for your participation!**